



LOCAL COMMUNITY STABILIZATION AUTHORITY

611 W. Allegan St., P.O. Box 30338, Lansing, MI 48909

Distribution to Cities for Non-Debt Personal Property Tax Revenue Reductions in 2014 and 2015 Resulting from Personal Property Small Taxpayer Exemption Loss

In connection with personal property tax reforms and reductions enacted by the State of Michigan in 2014, distributions to municipalities were authorized as reimbursement for resulting decreases in personal property tax revenue. The Local Community Stabilization Authority (the "LCSA") was initially required to make a one-time distribution to cities of \$19.2 million by October 20, 2015 per section 17(3) (MCL 123.1357(3)) of the Local Community Stabilization Authority Act (the "Act"). This one-time distribution reimburses cities for small taxpayer exemption loss from 2014 and 2015 millage(s) not used to pay debt according to the Act. However, section 14(3) (MCL 123.1354(3)) of the Act required the calculation of distributions using both operating and debt millage and adjusting for debt loss reimbursements and city millage reimbursed to tax increment financing ("TIF") plans.

The Michigan Department of Treasury ("Treasury") is responsible for calculating each city's distribution amount under the Act. After initially calculating the city distribution by subtracting each city's debt loss reimbursement under section 17(2) (MCL 123.1357(2)) of the Act, Treasury discovered an error in the statutory formula for the distribution. As a result, on October 20, 2015, Treasury certified to the LCSA a partial distribution of \$15,736,006 to 214 cities. The LCSA transmitted the distributions to those cities on October 21, 2015. This initial distribution represented reimbursement of operating millages for 2014 and 2015 less amounts reimbursed and to be reimbursed to cities and TIF plans under section 17(2) (MCL 123.1357(2)) of the Act. The distribution was based on the information that was available to Treasury in October 2015.

The remaining portion of the city distribution was delayed to allow for state law to be amended to correct the error in the statutory formula. On May 19, 2016, Public Act 124 of 2016 was signed by the Governor. Public Act 124 of 2016 altered the calculation for the city distribution by eliminating debt millage from the city distribution calculation. This new law also altered how city debt loss reimbursements and city millages reimbursed to TIF plans are adjusted, by only adjusting for operating millage reimbursed, after any proration.

The final distributions under section 17(3) (MCL 123.1357(3)) of the Act are scheduled to be made on June 2, 2016.